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IN THE UNITED STATES DISTRICT COURT
DISTRICT OF UTAH, CENTRAL DIVISION

DIVERSI-PLAST PRODUCTS, INC., a
Minnesota Corporation,) Case No. 2:04CV01005 PGC
Plaintiff,)
v.) REPLY TO OPPOSITION TO REQUEST
BATTENS PLUS, INC., a California) FOR LEAVE TO AMEND ANSWER
Corporation,)
Defendant.)
AND RELATED COUNTERCLAIMS)

I. INTRODUCTION

In quest of argument to oppose the instant motion, Plaintiff travels through the Looking Glass to a realm where time allows a Defendant to view a Plaintiff's improper acts before they occur, where the word "unenforceable" means enforceable, where a single "first ply" means two

"first plies," and where patents on "impossible" to create inventions can be infringed.

In our more hum-drum world, however, those assertions are nothing but nonsense. In our world, a patent claim describing an impossible-to-create invention cannot be infringed, one ply cannot mean two plies, a patent owner cannot plead it has an enforceable claim while also admitting the claim is unenforceable, and a Defendant cannot know ahead of time that a Plaintiff will abuse the litigation process.

Pondering Plaintiff's nonsensical assertions is not the task currently before the Court. The issue is whether Defendant may amend its Answer to add an abuse of process counterclaim and an intervening rights defense. Plaintiff asserts that (1) it would be prejudiced if the request is granted, (2) the request is untimely, and (3) the request is futile because Defendant cannot prevail on the merits of its abuse of process claim or intervening rights defense.

II. DIVERSI-PLAST WILL NOT BE PREJUDICED

Plaintiff Diversi-Plast Products, Inc. asserts it will be prejudiced because, with both the discovery and dispositive deadlines past, it will have no way to conduct discovery on the abuse of process claim and intervening rights defense and no way to resolve those matters by summary judgment.

A. The Abuse of Process claim requires no additional discovery

Defendant Battens Plus, Inc. must plead—and ultimately show—that (1) Diversi-Plast had an ulterior purpose in bringing suit and, (2) an act in the use of the process not proper in the regular prosecution of the proceedings. *Anderson Development Co. v. Tobias*, 116 P.3d 323, 341 (Utah 2005) (internal citations omitted).

Additional fact discovery is not needed to support or defend either of these elements. In its opposition, Diversi-Plast does not dispute that the alleged improper acts identified by Battens

Battens' Plus have occurred. The dispute is over whether those acts constitute an abuse of process.

Resolving that dispute is a legal matter, not one that requires additional fact discovery.¹

(1) Diversi-Plast's ulterior purposes

Diversi-Plast's ulterior purpose in bringing suit was to drag its smaller competitor through the litigation thicket—even though Diversi-Plast had no chance to prevail in its action—and to cause a rift between Battens Plus and the manufacturer of its product.² To find these ulterior purposes the Court must consider the totality of Diversi-Plast's litigation conduct, none of which is in dispute. There are simply no "facts" to discover.

(2) Diversi-Plast's improper acts

The occurrence of the acts alleged by Battens Plus to be improper are also not in dispute. Specifically, Battens Plus alleges that filing suit to enforce an unenforceable patent claim, maintaining the suit after the Patent Office granted reexamination of the '193 Patent and rejected all of its claims, and then issuing a subpoena to Inteplast Corporation demanding sensitive financial and manufacturing information are all improper. Those are the facts—all undisputed—that either will or will not suffice to find abuse of process. Again, no "facts" need be discovered.

Battens Plus has, moreover, already sought summary adjudication on its proposed abuse of process claim.³ Diversi-Plast will therefore have the opportunity to litigate this claim via

¹ Diversi-Plast does not identify in its Opposition the additional discovery it believes it would need to defend Battens Plus' abuse of process claim.

² These allegations are in Battens Plus' Proposed Second Amended Complaint at ¶¶ 34 – 39 and satisfy Battens Plus' pleading obligation as to this element. See Docket #52 and *Hatch v. Davis*, 102 P.3d 774, 782 (UT App. 2004) (the allegation that the initiation of a suit to intimidate the residents of a town and its town council clearly pled an ulterior purpose).

³ Battens Plus intends no disrespect in seeking summary adjudication on a claim not yet added to its Answer. Doing so was necessary to meet the dispositive motion deadline and because, as discussed supra, the claim did not fully coalesce until Diversi-Plast cancelled the Inteplast deposition on February 9, 2006.

summary adjudication, entry of which Battens Plus agrees to have entered against it should the Court find that Diversi-Plast is entitled to judgment on this claim as a matter of law.

B. The Intervening Rights defense requires no additional discovery

An intervening rights defense only arises when a patent is reissued during litigation, the reissue claims are not identical to the original claims, and the defendant is found to infringe one or more of the reissued claims. Under those circumstances, a Court can fashion a remedy that permits the defendant to continue to sell, for some period of time, the now-infringing product. No discovery is needed, or possible, until such time as the patent is reissued—which in this case has not occurred and, according to the Patent Office, will not occur. First Ballard Dec. at Exh. C.

III. BATTENS PLUS' REQUEST IS TIMELY

Diversi-Plast asserts that Battens Plus request is untimely because (1) Battens Plus is relying on Diversi-Plast's long-since filed reissue application as the basis for the abuse of process claim, and (2) the deadline to seek leave to amend is past and discovery complete.

A. Battens Plus' Abuse of Process Claim Has Numerous Bases

Abuse of process is a wrong that arises most properly only after a series of improper acts during the litigation process. It is not a claim that should be lightly made. As noted, Battens Plus asserts that the *combination* of suing on an enforceable patent, maintaining the suit after the Patent Office rejected all the patent claims, and intimidating Battens Plus' manufacturer constitutes abuse of process.

Battens Plus was reluctant to bring its abuse of process claim until Diversi-Plast issued a subpoena to Inteplast—the manufacturer of Battens Plus' product—demanding from Inteplast its appearance at a deposition and the production of highly sensitive financial and manufacturing information. Diversi-Plast issued the subpoena only a week after the Patent Office rejected all of

Diversi-Plast's claims in its '193 Patent—timing that is more than slightly suspicious. See First Ballard Dec. at Exh. C (rejecting all patent claims on 11/22/05) and First Ballard Dec. at Exh. E (subpoena to Inteplast on 11/29/05).

The parties and Inteplast quarreled over whether Inteplast would produce the demanded documents and only resolved the dispute in mid-January of 2006 when Inteplast capitulated. Second Ballard Dec. at Exh. A.⁴ Diversi-Plast then cancelled the Inteplast deposition on February 9, 2006. *Id.* at Exh. B. Only after these interactions did Battens Plus conclude it was necessary to file an abuse of process claim against Diversi-Plast. Battens Plus filed its request on March 18, 2006. Docket # 50. It did so in response to Diversi-Plast's decision to move its losing legal battle from the Court and Patent Office into the marketplace by interfering with Battens Plus relationship with its manufacturer. Diversi-Plast clearly crossed the line.

Diversi-Plast's relies on *Pallottino* for the proposition that untimeliness is a sufficient reason to refuse leave to amend. See *Pallottino v. City of Rio Rancho*, 31 F.3d 1023, 1027 (10th Cir. 1994). While this is clearly the law, Diversi-Plast's reliance is misplaced because, unlike in *Pallottino*, Battens Plus did not have at the time it filed its original answer all the evidence necessary to bring its requested additional claim. Diversi-Plast's reliance on *Castleglen* is misplaced for the same reason. See *Castleglen, Inc. v. Resolution Trust Corp.*, 984 F.2d 1571, 1585 (10th Cir. 1993) (affirming refusal of leave to add additional parties when the existence of those parties and their relationships were known for over a year and a half.).

⁴ Diversi-Plast's counsel, in an email dated January 9, 2006, notes to Inteplast's counsel that Inteplast's manufacturing costs were required because they "go to the gross and net margins on the accused BattenUP product, which are highly relevant as a factor in determining a reasonable royalty." *Id.* Diversi-Plast's damages expert, however, did not list any of the Inteplast financial information in his report as being relied upon, or even reviewed, when he calculated his recommended reasonable royalty.

B. The Motion To Amend And Discovery Deadlines Do Not Bar The Request

The decision to grant leave to amend a complaint, after the permissive period, is within the trial court's discretion and "shall be freely given when justice so requires." Fed.R.Civ.P. 15(a); *Panis v. Mission Hills Bank, N.A.*, 60 F.3d 1486, 1494 (10th Cir. 1995). Once a scheduling order deadline has passed, good cause is required. Fed.R.Civ.P. 16(b); *Burks v. Oklahoma Pub. Co.*, 81 F.3d 975, 978 (10th Cir. 1996).

As discussed, the parties will not have to engage in any additional discovery if Battens Plus' request is granted. Because Battens Plus has already sought summary adjudication on its abuse of process claim, Diversi-Plast will have the right and ability to address that claim and seek summary adjudication in its favor. Battens Plus has good cause to amend because its abuse of process claim— inherently one that arises during litigation—did not fully coalesce until February, 2006 (eight months after the deadline to amend the pleadings).

Battens Plus' intervening rights defense, moreover, has no effect whatsoever on the litigation until the '193 Patent reissues, if it ever does.

IV. BATTENS PLUS' CLAIM AND DEFENSE ARE NOT FUTILE

Diversi-Plast asserts that Battens Plus' abuse of process claim is futile because a patent owner may lawfully bring an infringement action to assert a patent claim undergoing reissue. Diversi-Plast further asserts that Battens Plus' intervening rights defense is futile because intervening rights do not automatically arise and are unavailable in any event because Diversi-Plast's reissue Claim 2 will be identical to the original Claim 2.

A. Battens Plus' Abuse of Process Claim Is Not Futile

As already discussed, Battens Plus' abuse of process claim is not based simply on the fact that Diversi-Plast filed suit to enforce an admittedly unenforceable patent claim undergoing

reissue—one that describes an invention "impossible" to make. Maintaining the suit after the Patent Office granted reexamination and rejected all the claims, and intimidating Battens Plus' manufacturer are additional bases for the abuse of process claim. These bases, and certainly their combination, suffice to squelch any concerns that the claim is futile, i.e., that it cannot survive a motion to dismiss or summary judgment. *Bauchman v. West High School*, 132 F.3d 542, 561-62 (10th Cir. 1997).

Moreover, Diversi-Plast is simply wrong as a matter of common sense and law when it asserts that its admissions to the Patent Office when seeking to reissue Claim 2 cannot be used as evidence that Diversi-Plast knew the claim was invalid when it brought its action. Settled law requires that the prosecution history of reissue claims be considered when evaluating the original claims. *Howes v. Medical Components, Inc.*, 814 F.2d 638, 645 (Fed. Cir. 1987).

The reissue prosecution history of the '193 Patent includes Diversi-Plast's candid admission that "claim 2 is indefinite because it is impossible for a multiplicity of cross plies to extend between a single first ply, as recited in claim 1." Macari Decl. at Exh. 2, ¶¶10. A indefinite claim is invalid—period—and even more so when the structure it describes is "impossible" to make. 35 U.S.C. §112. Diversi-Plast offers no authority holding that a patent owner may bring suit to enforce a patent claim the owner admits is indefinite before it filed suit to enforce that claim.

Diversi-Plast asserts that in the reissue proceeding it is merely "clarifying" that there are more than one first plies in Claim 2 and that the addition of the other first ply is of no special import—in effect that one "first ply" is the same as two "first plies." It should not have to be said that adding a new structure to a claim substantively changes the claim—especially when the new structure is necessary to transform an impossible-to-make invention into one that can be

made.

All of the above is to show that one of Diversi-Plast's improper acts was in bringing an infringement action it knew it could not win. This improper act, alone or along with the others discussed, suffice for the Court to find that Diversi-Plast has abused this litigation process.

B. Battens Plus' Intervening Rights Defense Is Not Futile

No reissue claims have yet been granted. It is literally impossible, therefore, for Battens Plus' intervening rights defense to be futile. The only way the defense could currently be futile is if Claim 2 was already reissued and it was identical to the original Claim 2—neither of which has happened. Diversi-Plast nonetheless asserts that the reissue Claim 2, when it issues, will be identical to the original claim. Such speculation is meaningless.⁵

V. CONCLUSION

Battens Plus respectfully requests that its request to amend its Answer to add an abuse of process claim and an intervening rights defense be granted.

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⁵ The Patent Office has provisionally rejected all '193 Patent claims. First Ballard Dec. at Exh. C. Moreover, as noted, adding a new structure to a claim is by definition a substantive change to the claim that will cause any reissue Claim 2 not to be identical to the original Claim 2.